

House Subcommittee on Telecommunications and the Internet

Digital Future of the United States:
Part V, The Future of Video

Statement of Blake Krikorian
CEO
Sling Media

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Chairman Markey, Ranking Member Upton, and other members of the Subcommittee, my name is Blake Krikorian, and I am co-founder and CEO of Sling Media, a privately held company based in San Mateo, California.

My brother Jason and I started prototyping our first product, the Slingbox, in the summer of 2002. The Slingbox concept arose from our shared consumer frustration. Jason and I are die-hard San Francisco Giants fans. Late in the 2002 season, the Giants looked as if they might make the playoffs for the first time in five years. While this was good news, it was also hugely frustrating. My brother and I were either working late in the office or on business travel -- everywhere but in our living rooms watching our favorite team. So after some experimentation with various commercial products, we quickly realized that there was nothing that would let us do what we wanted -- simply watch our own TV while we were not at home.

The result of this realization and frustration was the Slingbox, a small device that looks like an oversized, silver chocolate bar. When attached to your cable or satellite service, it sends -- or “slings” -- your signal to any broadband-connected PC, laptop, or mobile phone.

While the VCR and digital video recorder enable a consumer to “timeshift” -- record a TV program for viewing at a more convenient time -- the Slingbox adds a revolutionary new dimension to TV viewing, which we call “placeshifting”. Think of Sling as a long virtual “cable”, leading from your living room TV to wherever you are -- in your bedroom, in your office, or halfway around the world.

While this sounds like a simple concept, this technology has been put to an extraordinary variety of uses. Consumers use the Slingbox to “placeshift” their living room TV to other rooms in their home, to their desktop computer at the office, and to their laptops and mobile phones while on the road...anywhere in the world with a broadband Internet connection.

I have been as far away as a hotel room in China watching my favorite TV shows from my TV in my living room. I have even been on a Wi-Fi equipped commercial airliner at 40,000 feet above the Atlantic viewing my home TV from my seat in 37C!

And of course, members of Congress could set up a Slingbox in a district office in Medford or Kalamazoo, and watch their local news from the comfort of their desk in the Rayburn building.

We poured much of our life's savings into this idea, and fortunately, in October 2004 we were able to raise our first round of venture financing. This funding provided us the opportunity to bring the Slingbox to the market.

Upon introduction, the Slingbox took off beyond our wildest expectations. Our nationwide launch in July 2005 was unprecedented for a new product coming from a new U.S.-based consumer electronics company. Today, the Slingbox is available at over 3,000 retailers nationwide. It costs \$249 at retail and does not require any additional monthly fees or subscriptions.

In addition to empowering tens of thousands of consumers to enjoy their local TV programming beyond the confines of the living room, the Slingbox has been widely recognized as an important innovation. TIME Magazine named it one of the best inventions of the year. Popular Mechanics and Businessweek put the Slingbox on its best products list, and Fortune Magazine named Sling Media one of the 25 Breakout Companies of 2005. This January, we were even awarded the Technology and Engineering Emmy Award by the National Academy of Television Arts & Sciences.

While we are still a young startup company, Sling has succeeded because we meet the needs of today's digital consumers, who expect to view their video content when and where they wish. The Slingbox captured viewers' imaginations because it gives them greater power and choice over the content they have paid for.

While the Slingbox offers new value to consumers, it also provides huge benefits for local broadcasters by giving them a foothold in today's multi-platform, multi-location world. At work, at home or on the go, today's viewers spend most of their time in front of a screen other than their living room TV. Sling gives broadcasters a way to get their content onto these new screens, increasing their audience and boosting their advertising reach beyond a traditional, fixed location.

As the numerous benefits become apparent, broadcasters are increasingly embracing the opportunities provided by Slingbox. At the recent International Consumer Electronics Show in Las Vegas, we unveiled some exciting new functionality on stage with CBS. As part of our relationship, CBS will allow Slingbox to use its content for our new "Clip and Sling" service, which will empower consumers to "clip" parts of television programming and send it to a friend over the Internet.

This new way to experience content provides benefits to not only consumers, but to content providers and the U.S. economy. Clip and Sling promises to create an

entirely new set of targeted and measurable advertising inventory - something the TV networks are certainly interested in – as well as providing a great promotional vehicle to lead consumers back to the viewing of the long form versions of the shows.

Sling's story proves that, if allowed to flourish, American innovation and ingenuity can prevail even in today's hypercompetitive global economy. However, in order to promote continued innovation and consumer choice in video delivery technology, we urge this Committee to consider the following challenges and proposals:

First, in order for our company and other device manufacturers to succeed, it is vitally important that service providers do not prevent or limit consumers' ability to attach devices to their networks. Consumers expect to go to an electronics store and select their choice of product, with certainty that the product will be compatible and easily connected to their video, voice, or data service.

To foster competition and new technologies, legislators and regulators must ensure that service providers cannot exercise absolute control over the innovative devices at the edge of the network. Nor should we have a permission-based "mother, may I" approach to using or attaching new products. Provided that the device does not harm the network, manufacturers must have the

freedom to build new devices and consumers must have the freedom to attach them to their choice of service.

In a related issue, it is essential that a mechanism be quickly developed for the delivery of two-way cable service, and that this solution is adequately supported by the cable industry. Sling technology need not be a stand alone box – it also can be easily integrated into other devices, including cable set-top boxes. These products will be most attractive if consumers are assured that they will have access to two-way “upstream and downstream” cable service.

Finally, we urge this Committee to maintain an appropriate balance between the rights of consumers, copyright holders and innovators. As part of this balance, this Committee should protect consumers’ rights to record, timeshift, and place-shift their lawfully acquired content for personal use.

New inventions challenge existing business models and sometimes generate opposition by incumbent interests. Innovators must know that they can introduce new products without securing permission or being litigated into oblivion, so long as their product has substantial and non-infringing uses.

Sling has been extremely cognizant of our responsibilities with respect to copyright. To protect the rights of the copyright holder, we have embedded limitations into the Slingbox to ensure that it can only stream to one device at a

time. In addition, each Slingbox has a 32-bit unique ID, password protection, and encrypted communication between the Slingbox and the client device.

Yet even having taken these responsible measures, the persistent specter of lawsuits made it challenging for us to raise our initial venture capital.

Unfortunately, this is an increasingly common situation for American innovators and venture capitalists.

Because of the fair use doctrine and the Supreme Court's Betamax decision, innovators have been able to develop new devices like the Slingbox which have provided immense benefits to American consumers. Unfortunately, as we witness the recent onslaught of lawsuits and burdensome legislative proposals, we fear that both the fair use doctrine and the marketplace certainty provided by the Betamax decision are being seriously eroded. We ask this Committee to ensure that copyright is protected, but that fair use and the right to innovate are preserved.

While times and technologies may change, one thing stays constant – success comes from meeting and exceeding the wants of your consumers. Today's digital consumers have a set of very specific and challenging demands: to the greatest extent possible, they want to control how, when, and where they will enjoy their lawfully acquired content. Industries and businesses who meet that

demand will thrive, and those that refuse will have a difficult time surviving in the competitive marketplace.

The opportunities provided by these new digital distribution technologies are transformative and beneficial. If they succeed and flourish, then everybody wins. Consumers are empowered, content companies access more viewers, and America continues as the world's technology leader. This Committee can most effectively bring this future to realization by enhancing consumer choice, promoting competition and resisting calls to stifle new innovation.

Thank you for the opportunity to appear before this Subcommittee to address these important issues. We appreciate the invitation to appear here today and look forward to working with you and your staff as you examine the important issues that have been raised for discussion today.